To the readers

Why do some market leaders, after years of success, become outsiders? Why do some firms keep business profitable, while their competitors strive to make ends meet? Why are results of mergers & acquisitions disappointing? Should a wholesaler try to satisfy the needs of customers? How to sort out priorities: shareholders, employees, clients, or vice versa? What goals are more important: long-term or short-term? What is the optimum management motivation for a particular company? Who is to be invited to the Board of Directors? Who is an independent director and is such independence enough to fulfil the role of a director? When do companies need to think about change management? Is there any difference in a director's responsibility for action and inaction? Why does a change by the controlling stakeholder imply the right of the minority shareholders to sell him their shares? Can artificial intelligence be a member of the Board of Directors, and who is liable for its decisions?

All these questions are considered by one of the most interesting spheres of economic science – corporate governance. The first corporations were created hundreds of years ago and businesses and regulators have gained considerable expertise and formulated the best practices in the form of laws, corporate governance codes and listing rules, but corporate governance is still of current interest and the number of disputes concerning different aspects of this phenomenon is mounting.

The reason is obvious – new technologies stimulate rapid changes which shorten the horizon of strategic planning, and the quality of management of the corporation has an increased impact on its ability to adapt to current changes, and hence on its own competitiveness. In such an environment we see the creation of new business models, innovative approaches to the monetisation of data and access to clients, and the use of alternative forms of raising capital. The role of ecological components of the company's work increases, and the phenomenon of social networks leads to such situations when users unite and raise their market power, which corporations have to take into account.

Unfortunately, new trends substitute for common directions, which seemed unlikely to change. In emerging markets, raising public equity is still one of the main ways of fixing profit by investors into private companies and the source of business financing, on the developed markets the recent trend is delisting of public companies into private ones and unwillingness of private companies investors to share their margin with other investors when filing for an IPO. There is no doubt that these trends will spur a new wave of discussions concerning approaches to the best practices and standards of corporate governance.

In 2013, the Russian Federal Service for the Financial Markets delegated its authority concerning regulation and control in the sphere of corporate relations to the Bank of Russia. At the beginning of 2014 the Bank of Russia enacted the first corporate governance code, which had been initiated by the Russian Federal Service for Financial Markets and attracted financial market specialists and competent foreign experts.

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The code and its adoption by Russian public companies is in line with the format "follow or explain", which implies that Russian public companies are to reveal to investors why the recommendations of the code are not followed or why they are amended. The key message of the Bank of Russia concerning the code is that its norms are to be followed organically and not mechanically, i.e. that society should deliberately follow the principles of the code instead of adopting all its recommendations, or deliberately not. The Bank of Russia has been scrutinizing progress in this sphere for several years (see references to our reports), and notes with satisfaction the increased number of recommendations followed as well as improved quality of explanations in case of not-followed recommendations. Awareness-raising activities and continuous discussions on the development of corporate governance institutions attracting the parties concerned help it. Nevertheless, we continue to consider corporate governance as a living matter, rather than a determined list of rules fixed in the code.

The Bank of Russia, as a regulator of the whole financial market, endeavours to implement the most suitable practices of corporate governance in the financial sector. Analysis of the reasons for revoking financial institutions' licences shows that, in most cases, the main source of financial organisations' problems is a defective system of corporate governance. Companies, along with the Government and the Parliament of Russia, work on a "tough" regulation of corporate governance. In particular, norms hindering adherence to the principles of the corporate governance code are eliminated, new statutory concepts are created to enhance the liability of the Board of Directors and their legal competence, the role of managers' business reputation increases, and information transparency of joint-stock companies and companies with state participation rises.

As corporate governance is of current interest to higher education institutions in Russia and to the Russian economy, we acclaim publication of this book. Although separate chapters represent the authors' expert views and contain disputable conclusions, the articles show a comprehensive study of corporate governance. The reader can get a basic idea of corporate governance, the history of its development in Russia and abroad, and find answers to a wide range of questions concerning relations between modern corporations and shareholders, lenders, employees, regulators and even local people worried about environmental pollution. I am certain that this book can spark the interest of the reader and many of them will read more books about corporate governance and even participate in many discussions on this topic, and some of them will even be fortunate enough to become members of the governing board of corporations and so have the chance to apply the acquired knowledge. Only experience, coupled with broad knowledge, can help a person gain appropriate expertise in the art of corporate governance.

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